

# CONTRACT TO AUDIT ACCOUNTS

OF

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(TennCare Managed Care Organizations)

FOR THE PERIOD

FROM \_\_\_\_\_, \_\_\_\_\_ TO \_\_\_\_\_, \_\_\_\_\_

For Department of Audit use only

Copies of the audit report resulting from this contract are to be filed with the office noted below:

☐ Municipal Audit

☐ County Audit

(See Instruction #11)

August 2005

CONTRACT TO AUDIT ACCOUNTS

OF \_\_\_\_\_  
(Name of Organization)

This agreement made this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between

\_\_\_\_\_  
(Auditor)

\_\_\_\_\_, hereinafter referred to as the "auditor"  
(Full Address)

and \_\_\_\_\_ of \_\_\_\_\_  
(Name of Organization) (Full Address)

\_\_\_\_\_, hereinafter referred to as the  
"organization" (TennCare MCO), as follows:

1. In accordance with the requirements of the contract between the State of Tennessee and the TennCare Managed Care Organization(s), the auditor shall perform an audit under generally accepted auditing standards of the business transactions of the organization. **The audit shall comply with the requirements set forth in the NAIC Annual Statement Instructions for the Annual Audited Financial Reports for the period covered by the audit.** The audit shall cover the period \_\_\_\_\_ through \_\_\_\_\_.
2. The auditor shall, as part of the written report of audit, submit to the organization's governing body a report containing an expression of an unqualified or modified opinion on the financial statements. This report shall state that generally accepted auditing standards have been followed in the audit.
3. If a management letter or any other reports or correspondence relating to internal controls or other matters are issued in connection with this audit, a copy shall be filed with the Comptroller of the Treasury. Such management letters, reports, or correspondence shall be consistent with the findings published in the audit report (i.e., they shall disclose no reportable matters not also disclosed in the findings found in the published report of audit).
4. The auditor shall furnish \_\_\_\_\_ copies of the report to the organization's governing body and \_\_\_\_\_ copies of the report with the Comptrollers Office. The report shall be filed by May 1, \_\_\_\_\_. Failure to file the report by the specified due date may result in liquidated damages assessed to the organization. **There are no provisions for extensions of the due date.** Requirements for additional copies should also be addressed below.

5. The auditor agrees to retain working papers for no less than five (5) years and that all audit working papers shall, upon request, be made available for review by the **Comptroller of the Treasury, the Comptroller's representatives, agents, and legal counsel, or the TennCare Division of the Tennessee Department of Commerce and Insurance**, during normal working hours while the audit is in progress and/or subsequent to the completion of the report.

6. Any evidence of fraud, such as defalcation, misappropriation, misfeasance, malfeasance, embezzlement or other illegal acts shall be reported by the auditor, **in writing immediately upon discovery**, to the Comptroller of the Treasury, State of Tennessee, who shall under all circumstances have the authority, at the discretion of the Comptroller, to directly investigate such matters. If the circumstances disclosed by the audit call for a more detailed investigation by the auditor than necessary under ordinary circumstances, the auditor shall inform the organization's governing body in writing of the need for such additional investigation and the additional compensation required therefor. Upon approval by the Comptroller of the Treasury, an amendment to this contract may be made by the organization's governing body and the auditor for such additional investigation.

7. (Special Provisions) \_\_\_\_\_

8. In consideration of the satisfactory performance of the provisions of this contract, the organization shall pay to the auditor a fee of \_\_\_\_\_. (Fees may be per diem or fixed amounts. If per diem, an estimated gross fee should be furnished to the governing unit for budgetary purposes. A schedule of such per diem fees should be set forth below. Interim billings may be arranged with consent of both parties to this contract.) Provision for the payment of fees under this agreement has been or will be made by appropriation of the governing body.

(Estimated gross fee: \_\_\_\_\_)

SCHEDULE OF PER DIEM FEES:

9. As the auditor and authorized representative of the firm, I do hereby affirm that our office is currently registered with the State Board of Accountancy and our organization has participated in an external quality control review at least once every three (3) years, conducted by an organization not affiliated with our firm, that a copy of our most recent external quality control review report has been provided to the organization, and that all members of the staff assigned to this audit have obtained the necessary hours of continuing professional education required by the AICPA. In addition, as the auditor I also affirm that all auditors participating in the engagement are independent under the requirements of the AICPA.

10. This writing contains all terms of this contract. There are no other agreements between the parties hereto and no other agreements relative hereto shall be enforceable, unless entered into in accordance with the procedures set out herein and approved by the Comptroller of the Treasury, State of Tennessee.

\_\_\_\_\_  
Audit Firm

\_\_\_\_\_  
Organization

\_\_\_\_\_  
Print or Type Signature Name

\_\_\_\_\_  
Print or Type Signature Name

By \_\_\_\_\_  
Signature

By \_\_\_\_\_  
Signature

Title/Position: \_\_\_\_\_

Title/Position: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Approved by the Comptroller of the  
Treasury, State of Tennessee

By \_\_\_\_\_  
For the Comptroller

Date: \_\_\_\_\_

**INSTRUCTIONS**  
**Contract to Audit Accounts**

1. All contracts for auditing and preparation of financial statements between an auditor and any Managed Care Organization receiving funds from the State of Tennessee require the prior approval of the Comptroller of the Treasury, State of Tennessee. (Such approval is not required for system improvement and similar services of a non-audit nature.)
2. The contract should be executed in triplicate and submitted to the Comptroller of the Treasury, State of Tennessee, Division of Municipal Audit, Suite 1600, James K. Polk Building, Nashville, Tennessee, 37243-0271.
3. Upon approval by the Comptroller of the Treasury, State of Tennessee, one contract will be returned to the organization, one forwarded to the auditor, and one retained by the Comptroller of the Treasury. The audit should not be started before the contract is approved.
4. The auditor and the organization should contemplate an unqualified opinion being rendered on the financial statements, and any limitations or restrictions which would lead to a qualification should be fully explained. Contracts containing material limitation in scope will not be approved unless a satisfactory explanation is made.
5. If, after being approved, the contract is modified by either of the parties, the modification must be reduced to writing and submitted to the Comptroller of the Treasury, State of Tennessee, for approval. No change shall be effective unless approved by the Comptroller. Original signatures are required on all copies of the contract. Retyped copies of this contract will not be approved. However, photo copies are permissible.
6. The scope of the audit should be clearly stated and the fee stated so the amount can be easily determined. A separate contract is not necessary for each division within an organization. The fee should be so stated that the amount to be paid by each unit is easily determined.
7. The number of copies (specified in paragraph 4 of the contract) of the report of audit and any other written report by the auditor shall be filed with the Comptroller of the Treasury, State of Tennessee, when (or prior to) submitting an invoice to the entity for services rendered. These reports, as filed with the Comptroller of the Treasury, State of Tennessee, become a matter of public record and are available for inspection.
8. Any firm submitting contracts to audit for approval must file a single copy of the firm's most recent external quality control review report with the Comptroller of the Treasury. If a copy of the most recent external quality control review report is not on file with the Comptroller of the Treasury, submitted contracts to audit will not be approved.
9. The shaded box on the front of this contract identifies the division of the Department of Audit with which the audit report must be filed.